Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Monday 22 January 2024

Afternoon (Time: 3 hours)

Paper reference **WAC12/01**

Accounting

International Advanced Level
UNIT 2: Corporate and Management Accounting

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **both** questions in Section A and **three** questions from Section B.
- All calculations must be shown.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- Do not return the Source Booklet with the question paper.

Information

- The total mark for this paper is 200.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.
- The source material for use with Questions 1 to 6 is in the enclosed Source Booklet.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ▶

P73476RA

©2024 Pearson Education Ltd.
S:1/1/1/1/1/1/

P 7 3 4 7 6 R A 0 1 3 2

Pearson

SECTION A

Answer BOTH questions in this section. Write your answers in the spaces provided.

Source material for Question 1 is on pages 2 to 4 of the Source Booklet.

1 (a) Calculate the following ratios for the year ended 31 December 2023.

You must state the formula used in **each** calculation.

(i) Dividend per share

(5)

(ii) Dividend yield

(4)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(iii) Earnings per ordinary share

(6)

(iv) Price earnings ratio

(4)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(v) Dividend cover

(4)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(vi) Gearing ratio

(12)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(vii) Return on capital employed.

(8)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) Evaluate the financial performance of Pomos plc for the year ended 31 December 2023, from the point of view of a shareholder, compared to the performance for the year ended 31 December 2022. You should give possible reasons for the changes in the figures compared to the previous year.

(12)

(Total for Question 1 = 55 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Source material for Question 2 is on pages 6 and 7 of the Source Booklet.

2 (a) Calculate the **net present value** of the project to build and operate the five new warehouses, at the end of Year 5.

(22)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) Calculate the **average rate of return** per year of the project to build and operate the five new warehouses, using the initial investment figure.

(12)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) Calculate the **payback period** of the project to build and operate the five new warehouses.

(9)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(d) Evaluate the project to build and operate the five new warehouses, for HJK Storage plc, using the calculations made and considering any other relevant factors.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

SECTION B

Answer THREE questions from this section. Write your answers in the spaces provided.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

If you answer Question 3, put a cross in the box ☐ .

Source material for Question 3 is on pages 8 and 9 of the Source Booklet.

3 (a) Prepare, for the year ended 31 December 2023, the:

(i) Property, Plant and Equipment Provision for Depreciation Account

(5)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(ii) Operating Activities section from the Statement of Cash Flow, in accordance with International Accounting Standard (IAS) 7.

(19)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) Evaluate the performance of Tangail Supplies plc regarding liquidity for the year ended 31 December 2023

(6)

(Total for Question 3 = 30 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

If you answer Question 4, put a cross in the box ☒ .

Source material for Question 4 is on pages 10 and 11 of the Source Booklet.

4 (a) Calculate the **number** of clay tiles produced in a week.

(2)

(b) State the formula used to calculate the material price variance.

(2)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) Calculate the:

(i) actual price **per kg** of clay

(2)

(ii) standard price **per kg** of clay.

(5)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(d) State the formula used to calculate the material usage variance.

(2)

(e) Calculate the:

(i) total standard quantity of material (clay)

(5)

(ii) standard quantity of material to produce **one** clay tile.

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(f) Explain **one** reason why the two variances, material price and material usage:

(i) may **not** be linked (may **not** have an interrelationship)

(2)

(ii) may be linked (may have an interrelationship).

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(g) Evaluate the usefulness of information and communication technology (ICT) in standard costing and variance analysis for Yegenni Tiles plc.

(6)

(Total for Question 4 = 30 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

If you answer Question 5, put a cross in the box ☒ .

Source material for Question 5 is on pages 12 and 13 of the Source Booklet.

5 (a) Calculate the total value of the cash offer by WhereHaus plc to purchase StreatSmartt plc.

(3)

(b) Calculate the total value of the offer to purchase Tania's shareholding in StreatSmartt plc.

(2)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) Calculate the value of the goodwill in the offer from WhereHaus plc.

(11)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(d) Prepare the Journal entries to close the following accounts in the books of StreatSmartt plc, on 31 December 2023, **before** any revaluations had taken place. Narratives are **not** required.

(8)

- Property
- Equipment
- Ordinary shares of £0.50
- Share premium

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(e) Evaluate whether shareholders in StreatSmartt plc made the correct decision in accepting the offer from WhereHaus plc instead of the offer from ScruffStyle plc.

(6)

(Total for Question 5 = 30 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

If you answer Question 6, put a cross in the box ☒ .

Source material for Question 6 is on page 14 of the Source Booklet.

6 (a) Calculate, for management, the value of closing inventory for Year 1 using:

- marginal costing
- absorption costing.

(10)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) Calculate the profit that would be entered into the external accounts for HomeFront plc for Year 2.

(10)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) Explain **two** disadvantages of using absorption costing when preparing financial statements.

(4)

1 .....

.....

.....

.....

2 .....

.....

.....

.....

(d) Evaluate the use of marginal costing to HomeFront plc when preparing financial records and statements.

(6)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

BLANK PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Pearson Edexcel International Advanced Level

Monday 22 January 2024

Afternoon (Time: 3 hours)

Paper reference **WAC12/01**

Accounting

International Advanced Level

UNIT 2: Corporate and Management Accounting

Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

P73476RA

©2024 Pearson Education Ltd.

S:1/1/1/1/1/1/

P 7 3 4 7 6 R A

Pearson

SECTION A

Answer BOTH questions in this section.

1 You are the Finance Director of Pomos plc. You have to calculate a number of ratios for inclusion in the Annual Report to shareholders.

Information concerning the company and its performance for the financial year ended 31 December 2023 is as follows.

Ordinary shares of £0.40 each	60 million shares issued at a premium of £0.30 (30p) per share
4.5% irredeemable preference shares of £1.00 each	12 million shares
4% redeemable preference shares of £1.20 each	8 million shares
Retained earnings at year end, including net profit after tax	£10 400 000
General reserve	£2 000 000
Foreign exchange reserve	£1 600 000
11% debenture 2028	£20 000 000
14% bank loan	£2 400 000
Net profit after interest before tax	£3 815 000
Tax on profit	£635 000
Interim ordinary dividend paid for the year	£150 000
Final ordinary dividend paid for the year	£0.0175 (1.75p) per share
Market price of share	£1.60

Required

(a) Calculate the following ratios for the year ended 31 December 2023.

You must state the formula used in **each** calculation.

(i) Dividend per share

(5)

(ii) Dividend yield

(4)

(iii) Earnings per ordinary share

(6)

(iv) Price earnings ratio

(4)

(v) Dividend cover

(4)

(vi) Gearing ratio

(12)

(vii) Return on capital employed

(8)

The following information is available for the previous financial year, ended 31 December 2022.

Dividend per share	£0.018 (1.8 pence)
Dividend yield	1.5%
Earnings per ordinary share	£0.042 (4.2 pence)
Price / earnings ratio	28 times
Dividend cover	2.1 times
Gearing ratio	39%
Return on capital employed	5.8%

At the Annual General Meeting, a shareholder asks, 'How do the figures for the year ended 31 December 2023 compare to the previous year, ended 31 December 2022? I am interested in knowing why the figures are different to last year.'

Required

(b) Evaluate the financial performance of Pomos plc for the year ended 31 December 2023, from the point of view of a shareholder, compared to the performance for the year ended 31 December 2022. You should give possible reasons for the changes in the figures compared to the previous year.

(12)

(Total for Question 1 = 55 marks)

BLANK PAGE

2 HJK Storage plc is a company that has a number of warehouses that provide storage space to customers. HJK Storage plc is considering increasing the number of storage spaces by building five new warehouses.

HJK Storage has been told that the government will take over the land on which the warehouses are built in five years' time, to build a motorway. HJK Storage will receive no money as compensation from the government.

The following information is available for **each** of the five new warehouses:

Year	Storage space sold and occupied	Charge per week for a storage space sold and occupied	Running costs per week per storage space occupied (excluding depreciation)
1	50%	£35	£5
2	75%	£35	£6
3	80%	£37	£7
4	90%	£37	£8
5	95%	£40	£8

The following information applies to **one** new storage warehouse.

- The cost of building one new warehouse will be £100 000
- One new warehouse will have 80 storage spaces.
- Depreciation per warehouse is expected to be £20 000 per year.
- Assume 52 weeks in a year.
- The company policy is to have a positive net present value on projects within five years.
- The cost of capital for the company is 10%.

A table showing the discount factors for a 10% cost of capital is given below.

Year	10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Required

(a) Calculate the **net present value** of the project to build and operate the five new warehouses, at the end of Year 5.

(22)

(b) Calculate the **average rate of return** per year of the project to build and operate the five new warehouses, using the initial investment figure.

(12)

(c) Calculate the **payback period** of the project to build and operate the five new warehouses.

(9)

(d) Evaluate the project to build and operate the five new warehouses, for HJK Storage plc, using the calculations made and considering any other relevant factors.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 You are the Financial Accountant for Tangail Supplies plc.

Extracts from the Statements of Financial Position for the last two years are shown below.

	31 December 2022	31 December 2023
ASSETS	**£**	**£**
Non-current assets		
Property, plant and equipment	7 128 000	6 781 000
Provision for depreciation	(3 765 000)	(3 106 000)
Property, plant and equipment carrying value	3 363 000	3 675 000
Intangible assets	2 700 000	2 100 000
	6 063 000	5 775 000
Current assets		
Inventories	5 136 000	5 320 000
Trade receivables	309 000	299 000
Other receivables	28 000	37 000
Cash and cash equivalents	141 000	----------
	5 614 000	5 656 000
LIABILITIES		
Non-current liabilities		
12% debenture	----------	5 000 000
Current liabilities		
9% Bank loan	2 000 000	----------
Bank overdraft	----------	98 000
Trade payables	3 095 000	3 144 000
Other payables	56 000	71 000
Current tax payable	401 000	411 000
	5 552 000	3 724 000

Additional information

(i) On 5 January 2023, plant was bought for £2 685 000

(ii) On 14 June 2023, equipment that cost £351 000 with a carrying value of £216 000 was sold for £191 000

(iii) On 23 August 2023, property that cost £2 880 000 with accumulated provision for depreciation of £715 000 was sold for £2 812 000

(iv) On 19 October 2023, an intangible asset was purchased for £112 000

(v) The bank overdraft averaged £60 000 for 8 months of the year at an interest rate of 15% per year.

(vi) The bank loan was repaid on 31 May 2023

(vii) The debenture was issued on 1 June 2023

(viii) The loss after interest for the year ended 31 December 2023 was £283 000

Required

(a) Prepare, for the year ended 31 December 2023, the:

(i) Property, Plant and Equipment Provision for Depreciation Account

(5)

(ii) Operating Activities section from the Statement of Cash Flow, in accordance with International Accounting Standard (IAS) 7.

(19)

(b) Evaluate the performance of Tangail Supplies plc regarding liquidity for the year ended 31 December 2023

(6)

(Total for Question 3 = 30 marks)

4 Yegenni Tiles plc is a new company, producing clay tiles. The company has just finished its first week of production. Unfortunately, the company is having problems with its new computer system and some information has been lost.

The following information is available concerning production.

- Production was 310 clay tiles per hour.
- Production was 8 hours per day for 5 days of the week.

Required

(a) Calculate the **number** of clay tiles produced in the week.

(2)

The company needs to calculate the material price variance.

(b) State the formula used to calculate the material price variance.

(2)

The following information is available.

- The actual quantity of clay used was 6 448 kg costing a total of £2 708.16
- The material price variance was £128.96 adverse.

(c) Calculate the:

(i) actual price **per kg** of clay

(2)

(ii) standard price **per kg** of clay.

(5)

The company has calculated the material usage variance.

(d) State the formula used to calculate the material usage variance.

(2)

The following information is available.

- The actual quantity of clay used was 6 448 kg.
- The material usage variance was £99.20 adverse.

(e) Calculate the:

(i) total standard quantity of material (clay)

(5)

(ii) standard quantity of material to produce **one** clay tile.

(2)

(f) Explain **one** reason why the two variances, material price and material usage:

(i) may **not** be linked (may **not** have an interrelationship)

(2)

(ii) may be linked (may have an interrelationship).

(2)

(g) Evaluate the usefulness of information and communication technology (ICT) in standard costing and variance analysis for Yegenni Tiles plc.

(6)

(Total for Question 4 = 30 marks)

5 StreatSmartt plc produces clothes for teenagers and has been making healthy profits. A larger clothing company, WhereHaus plc, was interested in purchasing StreatSmartt plc and made an offer to purchase StreatSmartt plc on 31 December 2023

The directors of WhereHaus plc have agreed to purchase all the assets and to settle all the liabilities.

The Statement of Financial Position of StreatSmartt plc at 31 December 2023 and notes to the accounts showed:

- all assets £64 500 000
- all liabilities £23 700 000

Equity

- Ordinary shares – £22 600 000 from an issue of £0.50 shares
- Share premium – £13 560 000 from all the shares issued at a premium of £0.30 per share
- Retained earnings £4 640 000

The offer from WhereHaus plc was that for each £0.50 share in StreatSmartt plc, shareholders would receive £1.08 in cash. The offer was accepted.

Required

(a) Calculate the total value of the cash offer by WhereHaus plc to purchase StreatSmartt plc.

(3)

Tania held 2 300 shares in StreatSmartt plc.

(b) Calculate the total value of the offer to purchase Tania's shareholding in StreatSmartt plc.

(2)

The two companies agreed the following revaluations of some of the assets of StreatSmartt plc.

- Property has a book value of £14 500 000 and this was increased by 12% to a current market value.
- Plant was written down by 20% of its carrying value to an agreed value of £608 000
- Equipment has a carrying value of £410 000 and was written down by £137 000
- Trade receivables with a book value of £78 000 are considered irrecoverable.

(c) Calculate the value of the goodwill in the offer from WhereHaus plc.

(11)

(d) Prepare the Journal entries to close the following accounts in the books of StreatSmartt plc, on 31 December 2023, **before** any revaluations had taken place. Narratives are **not** required.

- Property
- Equipment
- Ordinary shares of £0.50
- Share premium

(8)

Another large company, ScruffStyle plc, had made an offer to purchase StreatSmartt plc.

The offer from ScruffStyle plc was that for each £0.50 share in StreatSmartt plc, shareholders would receive a share in ScruffStyle plc with a current market value of £1.02

(e) Evaluate whether shareholders in StreatSmartt plc made the correct decision in accepting the offer from WhereHaus plc instead of the offer from ScruffStyle plc.

(6)

(Total for Question 5 = 30 marks)

6 HomeFront plc is a company that produces doors. The company draws up financial records and statements using marginal costing and absorption costing.

The following information was available for Year 1.

• Direct labour	£990 000 per year
• Direct materials	£780 000 per year
• Semi-variable costs	£90 000 fixed element per year
	£270 000 variable element per year
• Fixed overheads	£570 000 per year
• Average monthly production	2 500 doors
• Average monthly sales	2 450 doors

Required

(a) Calculate, for management, the value of closing inventory for Year 1 using:

- marginal costing
- absorption costing.

(10)

The following information was available for Year 2.

- Each cost listed for Year 1 rises by 10% per year to give the cost for Year 2.
- There is no change in the average monthly production from Year 1.
- The number of doors sold in Year 2 is a 4% increase on Year 1.
- Doors are sold for £175 each.

Required

(b) Calculate the profit that would be entered into the external accounts for HomeFront plc for Year 2.

(10)

(c) Explain **two** disadvantages of using absorption costing when preparing financial statements.

(4)

(d) Evaluate the use of marginal costing to HomeFront plc when preparing financial records and statements.

(6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS

BLANK PAGE

BLANK PAGE